



**United States Delegation Statement
2008 Philippines Development Forum (PDF)
Consultative Group and Other Stakeholders Meeting for the Philippines
March 26-27, 2008
Clark, Pampanga, Philippines**

The United States Government (USG) commends the Government of the Republic of Philippines (GRP) on its development agenda achievements over the past year. Continued progress will enable the country to address many of its key development challenges: reducing poverty through broad-based economic growth; improving the business climate; delivering better social services, particularly for women; promoting good governance and fighting corruption; ensuring the rule of law and respect for human rights; and, supporting improved conditions for peace and security. Based on independent indicators that measure good governance, the country's investments in its people and policies that encourage economic freedom, the Philippines was recently selected as eligible to apply for a compact through the U.S. Government's Millennium Challenge Corporation.

With steady progress in macroeconomic performance, the Philippines is in a better position to increase investments in people and infrastructure, improve business confidence, generate social payback and reduce poverty. These positive trends likewise continue to introduce improvements through various governance, competitiveness, education, health, environment, energy, and peace and security initiatives. Continued partnership and dedication among the public and private sectors, civil society, and donor community will be essential to translate macroeconomic gains into sustained growth in jobs and incomes.

Accelerating Growth through Improved Competitiveness

A renewed focus on fiscal stability and competitiveness contributed to increased strength and confidence in the economy last year, leading to the strongest growth in thirty years. The Philippines came closer last year to eliminating its fiscal deficit as significant privatization revenues helped make up for revenue collections that fell short of targeted expectations. Debt of the consolidated public sector, which peaked in 2003, is now less than 80% of GDP. Inflation and interest rates remain low and in control.

There has been significant progress in recognizing and addressing areas that weaken Philippines competitiveness in the world market. Improved post entry audit and other efforts to reform procedures at the Bureau of Customs will increase revenues, facilitate trade, and reduce opportunities for corrupt behavior. Passage of the Anti-Red Tape Law has been backed

up by a range of actions in cities across the nation to streamline business permitting and licensing and make it easier for businesses to operate efficiently and legally.

The National Competitiveness Council is moving forward with its Action Agenda, enjoying strong Presidential and Cabinet support. Roll-on, roll-off inter-island transportation, developed under the President's "Strong Republic Nautical Highway," has reduced conventional shipping costs along key routes by 45%. The inter-agency Infrastructure Monitoring Task Force resolved problems facing key infrastructure projects such as the Subic-Clark-Tarlac Expressway, Southern Luzon Expressway, and the LRT-1 North Extension. Most significantly, air traffic, investment, and tourism continued to expand rapidly through the Subic-Clark gateway, which is now poised to become a real engine of economic development once the President authorizes "Pocket Open Skies" for Clark International Airport. In the energy sector, the implementation of the Biofuels law and initiation of a National Biofuels Program provide opportunities for investors and farmers alike. Continued attention is required in addressing regulatory constraints to trade and investment and improving governance, key factors to improve the business climate and generate increased job opportunities.

More broadly, the Philippines needs to address threats to economic competitiveness due to the deterioration in natural resources. Continued efforts to strengthen property rights and devolve governing authority over natural resource management to local communities will promote a sense of stewardship and facilitate investment. In the area of coastal and marine resource management, the Philippines stands to benefit greatly from the regional approach offered by the six-country Coral Triangle Initiative (CTI). The United States stands ready to support the outcomes of the Second CTI Senior Officials Meeting to be hosted by the Philippines in June 2008.

Governance, Rule of Law, and the Fight against Corruption

The Philippines has a long tradition of broadly participatory democracy, but is vulnerable to political uncertainty, recurring attempts to use extra-Constitutional means to affect changes in leadership, human rights abuses, and low credibility of electoral institutions and systems. While challenges remain, some progress has been achieved in efforts to combat corruption. The Office of the Ombudsman budget has more than doubled since 2002. Last year, the Sandiganbayan, the anti-graft court, convicted 103 public officials, more than doubling the cumulative convictions of corrupt government officials since 2005. The adoption of continuous trial for pilot cases at the Sandiganbayan also made possible the success of these convictions and paved the way for the use of continuous trial for all new cases in 2008. Last year, the Office of the Ombudsman administratively dismissed 169 officials and suspended, fined, or reprimanded another 459.

In the judicial sector, more judges are now practicing mediation during pre-trial. Judicial reform programs are better targeted and monitored. About 70% of 20,000 cases referred for mediation were successfully resolved in 2007, and the backlog is down to 746,832 cases from 840,000 in 2001. In the procurement area, a "Feedback and Complaint Handling Mechanism" for bids and awards committee observers has been established and Resident Ombudsman staff

and civil society organizations have undergone procurement training. In end use monitoring, civil society organizations are participating in a range of corruption watch activities (Pork Barrel Watch, Medicine Monitoring, and Internal Revenue Allotment Watch).

To ensure continued progress and prevent backsliding, the GRP needs to strengthen efforts to combat corruption at local and national levels, promote consistent rule of law and support programs to ensure a more effective judiciary. Also important are vigorous efforts to ensure those responsible for extrajudicial killings are brought to justice. In anti-trafficking of women and children, authorities made three convictions in three cities, but greater momentum on prosecutions and convictions of the guilty remains essential. Electoral reforms and strengthening of election administration systems remain central challenges, particularly with national elections due in 2010. Most importantly, good governance initiatives, especially at the local level, will be important in providing more effective services to Filipino citizens.

The USG-funded Millennium Challenge Corporation Threshold Program, launched in late-2006, supports priority GRP programs in countering corruption and strengthening revenue administration. Successful implementation of these programs at the Department of Finance, the Bureau of Customs, the Bureau of Internal Revenue, and the Office of the Ombudsman started a process that will help curtail corruption in the revenue generating agencies of the National Government. The Philippines' effective implementation of the Threshold Program and its consistent performance on eligibility criteria were key to the country's selection for MCC compact eligibility.

Creating Opportunities for More Inclusive Growth

Although the much higher budgets for health and education are very encouraging, overall spending in these areas is still not sufficient to meet the needs of the country's rapidly growing population. Large disparities in access to and quality of services exist across social classes, gender and regions. The poor, conflict-affected areas of Mindanao, in particular, continue to suffer from some of the worst health and education conditions in the country.

The Philippines' rate of population growth outstrips the country's ability to generate enough jobs and provide needed services. Malnutrition, high infant and maternal mortality, the burden of tuberculosis (TB), and its growing threat of multi-drug resistant strains, remain significant health challenges. The Philippines made steady improvement in the successful detection and treatment of TB cases and child health indicators, especially in the Autonomous Region in Muslim Mindanao (reducing under-five mortality by 53% from 1998 to 2006). Furthermore, even as HIV prevalence is low, and the Philippines remains free of Avian Influenza (AI), continued vigilance through HIV and AI information and preparedness programs is important.

The GRP has committed to the Millennium Development goals for safe water and sanitation services. The current burden of the poor quality of services is manifest through high morbidity and mortality cases caused by water-borne diseases, and consequent economic losses that exceed seventy-seven billion pesos per year. Given that funding requirements far exceed government and donor capacity, credit worthy water utilities will increasingly need to attract

private sector finance. The United States congratulates efforts to organize a PDF sub-group on water and sanitation to better coordinate the sector's reform agenda.

The Philippines education system, once one of the best in Asia, has deteriorated sharply over the last 30 years. Classrooms are severely overcrowded, instruction is often poor, and dropout rates are high, particularly for boys. The decline in English language skills has undermined the competitiveness of Filipino workers for jobs both in the Philippines and overseas. We commend the Department of Education's strong results-oriented approach to increasing access to education and improving instruction quality. A major imperative is to close the gap in educational achievement between marginalized regions and the rest of the country by increasing access to quality basic education and providing alternative education options to out-of-school children. The gap is particularly large in the conflict-affected areas of Mindanao, a common focus of many donors, including the United States.

Promoting Peace and Security

We commend the GRP's recent achievements and continuing commitment to promoting peace and security through a range of efforts that include both development and counter-terrorism initiatives. The Philippine military has achieved significant progress over the past year in sustaining conduct of successful counter-terrorism operations. Philippine law enforcement agencies have also made significant strides in improving their capacity to detect, deter and investigate terrorist activities in the Philippines. Police and other law enforcement agencies are becoming more skilled, responsive and professional in such critical areas as post-blast investigations.

At the GRP's request, the United States Government continues to provide assistance to peace and security efforts with our various military programs, including humanitarian assistance efforts and training cooperation. The Armed Forces of the Philippines continues to make good progress in transforming the Philippine defense establishment under the Philippine Defense Reform program.

Conclusion

The United States Government applauds the Philippines for its development accomplishments over the past year. We value highly our productive development partnership with the Philippines Government and our other development partners in the donor community, the private sector, civil society and academia. The United States pledges its continued support for the GRP's development agenda, with our particular focus on efforts to support peace and development in Mindanao. We look forward to new opportunities to leverage our assistance programs with our development partners, particularly in the private sector. We remain steadfast in our commitment to an inclusive partnership among all of us who have a stake in Philippines development and improving the quality of life for all Filipinos.

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